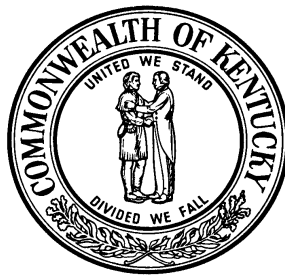


**ROCKCASTLE COUNTY BOARD OF EDUCATION'S  
ADMINISTRATION OF ADULT EDUCATION GRANTS  
FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION**

**For The Period  
July 1, 2011 Through June 30, 2012**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR ST.  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

September 4, 2013

Reecie Stagnolia, Vice President  
Kentucky Adult Education  
Council on Postsecondary Education  
1024 Capital Center Drive, Suite 250  
Frankfort, KY 40601

David Pensol, Superintendent  
Rockcastle County Board of Education  
245 Richmond Street  
Mount Vernon, KY 40456

Re: Adult Education Grants

Dear Mr. Stagnolia and Mr. Pensol:

This report contains the results of the performance audit of Rockcastle County Board of Education's administration of the adult education grant for the fiscal year (FY) ending June 30, 2012. The Council on Postsecondary Education and Kentucky Adult Education contracted with this office to conduct performance audits of selected local adult education programs. This report presents our findings, recommendations, and the program's responses.

The Auditor of Public Accounts conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We greatly appreciate the courtesies and cooperation extended to our staff during the audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", written over a horizontal line.

Adam H. Edelen  
Auditor of Public Accounts



## TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY .....	1
RESULTS AND RECOMMENDATIONS .....	2
FINANCIAL REPORTING AND COMPLIANCE.....	2
PARTICIPANT ELIGIBILITY AND RECORD KEEPING .....	3
EMPLOYEE REQUIREMENTS .....	5
PURCHASING/EXPENDITURE COMPLIANCE .....	6
INTERNAL CONTROLS RELATING TO GRANT.....	8



**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**EXECUTIVE SUMMARY**

---

**PURPOSE AND SCOPE**

The Council on Postsecondary Education (CPE) and Kentucky Adult Education (KYAE) selected the Rockcastle County adult education program for a limited scope performance audit of its adult education grant. The Rockcastle County Board of Education was responsible for the administration of this grant in FY 2012. An on-site review was conducted on April 25, 2013 through April 26, 2013, to address the following objectives:

- Determine whether KYAE payments to local programs are supported by the program's accounting system.
- Reconcile student and faculty data electronically submitted to KYAE through the Adult Education Reporting Information Network (AERIN) with the information retained by the local provider.
- Determine whether the program's expenditures reported to KYAE via AERIN's Finance Module comply with the terms of their grant agreement and are supported by adequate documentation.
- Report internal control weaknesses identified during our audit that relate to the audit's objectives.

To accomplish these objectives, the performance audit team reviewed the Policy and Procedure Manual for Kentucky Adult Education, as well as the local program's agreement with KYAE. During the on-site review, the audit team reviewed the program's accounting records (trial balance/general ledger), interviewed program administrators regarding internal controls related to the above grants, and tested samples of expenditure documentation, participant files, and personnel files for compliance with applicable requirements. Below is the summary of findings:

<b>Finding</b>	<b>Disallowed Costs</b>
One participant file did not contain evidence to support that goals were met as reported in AERIN.	N/A
One participant file did not contain documentation that the participant averaged 450 on the Steck-Vaughn Official Practice Test and the scores did not show a minimum of 410 on each sub-test prior to the participant taking the General Educational Development (GED).	N/A
Four participants scored above 11.9 on their initial assessments and had obtained a high school diploma, which makes them ineligible for services under current policies and procedures.	N/A
An instructor hired after January 3, 2011 had the required bachelor's degree but did not have documentation of the other minimum assessment scores, or a waiver from CPE/KYAE.	N/A
The program purchased a scantron machine outside of the audited contract period on July 5, 2012, resulting in a disallowed cost.	\$2,713
The program purchased a coffee maker on May 31, 2012 for \$226 but this item was not included on the final KYAE inventory record.	N/A

**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**RESULTS AND RECOMMENDATIONS**

---

**FINANCIAL REPORTING AND COMPLIANCE**

**Scope and Methodology**

The annual expenditures for which the program requested reimbursement through the KYAE Finance Module were compared to the line item budget approved by KYAE. This comparison was used to determine whether the program's reimbursements complied with the approved budget.

The annual expenditures for which KYAE reimbursed the program were then compared to the program's internally generated financial records. This comparison was used to determine whether the program's accounting records support the total amount requested for reimbursement using the KYAE Finance Module.

**Findings**

No exceptions were noted.



**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**PARTICIPANT ELIGIBILITY AND RECORD KEEPING**

**Scope and Methodology**

To ensure an unbiased representation of the population, an automated process was used to randomly select 60 participants from the data provided by KYAE. The total population of participants was stratified so that the participants selected had achieved at least one type of academic goal. With this stratification, the auditors were able to test whether the required support was documented and maintained for all of the selected participants.

The sample size was based on the determination to test 20 percent of the program's total participants, not to exceed 60. The participants tested received services during the period from July 1, 2011 through June 30, 2012.

The documentation maintained in the participant files was compared to the electronic student data to test compliance. We examined the files for the following:

- Proper eligibility documentation.
- Proper assessment testing.
- Evidence to support the achievement of goals/objectives reported to KYAE.
- Other requirements based upon the applicable program requirements.

The results of the test apply only to the selected sample and should not be projected to the entire population because the criteria tested may not be applicable to each participant.

**Findings**

Proper file maintenance and accurate data entry is important to support and document participant data submitted electronically in AERIN. Programs are to maintain assessment forms on file for three years. Any achievement or completion of goals should be documented. The following exceptions were noted:

- One participant file did not contain evidence to support that goals were met as reported in AERIN.
- One participant file did not contain documentation that the participant averaged 450 on the Steck-Vaughn Official Practice Test and the scores did not show a minimum of 410 on each sub-test prior to the participant taking the General Educational Development (GED).
- Four participants scored above 11.9 on their initial assessment and had obtained a high school diploma. Under current policies and procedures related to participant eligibility, these students should not have received adult education services.

**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**Recommendations**

We recommend the program ensure compliance with applicable policies and procedures related to a participant's eligibility, assessment, and achievement. The person entering participant data should require the specific documentation that supports any data entry performed on a participant and any deficiencies should be reported to program management.

**Program Response**

The two student files referenced not having supporting documentation for goals met, appropriate documentation was provided and/or referenced in the participants file during the audit to satisfy these two areas, as approved by auditors at the time of audit.

One student received passing OPT scores of 410 or higher as certified upon enrollment for the GED Exam in April, 2011. She received services through the corrections program at Rockcastle Detention Center, correction students are registered for the GED Exam by Somerset Community College in GED123. The OPT retake was missing from the student's file but a copy was on file with SCC documenting the improved OPT score of 500 in Social Studies on 1/27/12. A copy has been placed in the student file. The student passed the GED Exam.

The four participants who scored above 11.9 on their initial assessment and had obtained a high school diploma were attending adult education to take the Work Keys assessment for employment at Anchor Packing as part of a partnership with the local economic development board. Under current policies and procedures related to participant eligibility, these students were enrolled in the program using the information in the KYAE 2012-13 Policy and Procedure Manual on page 22 "Workkeys may be used when the student's goals are to get a job, a better job or improve workforce skills."

Plan of Action - Program management has implemented a self-audit process for staff to follow that requires all participant files receive an audit on a bi-annual basis. This will provide continual program improvement and monitoring of data entry. In addition, the person entering participant data file will require specific documentation that supports any data entry performed on a participant at the time of data entry and ensure its appropriate placement in the student file. Staff will continue to utilize the KYAE Policy and Procedure Manual for program guidance and implementation.

**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**EMPLOYEE REQUIREMENTS**

**Scope and Methodology**

The 15 staff members employed by this program during the audit period were tested for compliance with KYAE personnel requirements. Personnel files were examined to verify that staff conducting work related to the adult education grant had the proper educational credentials required for their position.

**Findings**

CPE and KYAE require that instructors hired after January 3, 2011 possess a minimum of a bachelor's degree in education or a content-related field, along with earning a 12.9+ score in every content area (Language, Reading and Math) on a TABE A assessment test or, within the past 10 years, a 21 composite score on an ACT or 990 on the SAT. However, an instructor was hired after January 3, 2011 with a bachelor's degree but the employee's file did not document that any other requirement was met related to TABE assessment scores, ACT or SAT scores, or a waiver from CPE/KYAE.

**Recommendations**

We recommend that the program ensure that all instructors have the required credentials prior to hiring and that this information is obtained and maintained in the employee's file. If the instructor has been assessed using any of the required assessment methods, the documentation should be obtained and included in the employee's file. If the instructor has not been assessed using the required methods, this assessment should be done immediately so that this instructor is in compliance with CPE and KYAE requirements.

**Program Response**

This employee was hired after January 3, 2011 as an instructor with corrections. Her Bachelors Degree is in Correctional and Juvenile Justice Studies. A plan of action has been put into place to administer the TABE assessment to her immediately. She works two hours per week as an instructor in corrections. A waiver, based on the instructor's degree in Correctional and Juvenile Justice Studies, was submitted to KYAE for consideration but denied.

Plan of Action - The employee was administered the required TABE assessment on 5/9/13 and a copy submitted to the auditor via email on 5/13/13 documenting that she earned a 12.9+ in every content area (Language, Reading and Math) on a TABE A, documentation has been filed in the employee's record.

**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**PURCHASING/EXPENDITURE COMPLIANCE**

**Scope and Methodology**

To test at least 20 percent of the total purchases, a sample of eight expenditures was selected judgmentally from the program's detailed general ledger. These transactions were maintained at the program level and not available in an electronic format that would allow for an automated selection process. The selected expenditures were tested for authorization/approval, supporting documentation, and proper recording. We also verified that the expenditures were made during the grant period from July 1, 2011 through June 30, 2012. Because this was a judgmental sample, the results of the test cannot be projected to the entire population.

**Findings**

CPE and KYAE reimburse programs for reasonable, allowable, and actual costs incurred as specified in the contract period from July 1, 2011 through June 30, 2012. A \$5,800 scantron machine was purchased outside of the audited contract period on July 5, 2012 and the item was not received until July 11, 2012. The program's accounting records support a total of \$187,278 in expenditures for the audited contract period, which should be reduced by \$5,800 to remove the unallowable purchase. After this adjustment, the program's allowable expenditures were \$181,478. Therefore, the program's allowable expenditures of \$181,478 are \$2,713 less than the \$184,191 requested and received from KYAE.

CPE and KYAE require an annual Inventory Report listing non-consumable items with a useful life greater than one year; however, the program purchased a coffee maker on May 31, 2012 for \$226 but this item was not included on the final KYAE inventory record.

**Recommendations**

We recommend the program review and comply with the policies established by KYAE and only make purchases within the contract period. The program should reimburse KYAE for \$2,713, which is the difference between the amount received from KYAE and the program's allowable expenditures.

We recommend that an accurate listing of inventory be maintained and submitted annually to KYAE that includes all purchases of non-consumable items with a useful life greater than one year. The program should review inventory records periodically to verify agreement with the inventory reported to KYAE.

**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**Program Response**

The coffee maker purchased was placed on the official electronic KYAE Inventory Form at the time of discovery and a copy submitted to the auditor for documentation. The Scantron machine was encumbered during the FY12, expedited shipping and invoicing was requested from the vendor. The shipment and invoicing request was not honored by the vendor and was received after June 30, 2012 and payment was made from FY12 funds for the expenditure by the fiscal agent in July, 2012.

Our first audit for our program has been helpful to both program management and staff to develop additional procedures to ensure data accuracy along with policy and procedure assurance. We appreciate the helpful manner in which the audit was conducted by the assigned auditors.

Plan of Action - Additional processes have been put in place to ensure accurate listing of inventory is maintained and updated at the time of purchase through the KYAE online inventory database. The program will continue to review inventory records periodically to verify agreement with the inventory reported to KYAE.

The program will reimburse KYAE for \$2,713, which is the difference between the amount received from KYAE and the program's allowable expenditures, a check request has been submitted and will be approved by the Rockcastle Board of Education on Tuesday, July 9<sup>th</sup> and the check will be mailed to KYAE on Wednesday, July 10<sup>th</sup>.

**ROCKCASTLE COUNTY BOARD OF EDUCATION'S ADMINISTRATION OF  
ADULT EDUCATION GRANTS FROM THE COUNCIL ON POSTSECONDARY  
EDUCATION AND KENTUCKY ADULT EDUCATION AS OF JUNE 30, 2012**

---

**INTERNAL CONTROLS RELATING TO GRANT**

**Scope and Methodology**

Internal Control Questionnaires were provided to program management regarding the controls in place for expenditures, bank reconciliations, revenue, and payroll. The completed questionnaires were reviewed by the audit team for any significant control deficiencies.

**Findings**

No significant control deficiencies were noted.